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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 003104

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TAGS: [ECON](#) [ETRD](#) [PREL](#) [JA](#) [APECO](#)
SUBJECT: METI VALUES RELATIONS WITH THE UNITED STATES AND
APEC

REF: A. TOKYO 3045
[1](#)B. TOKYO 2991

Classified By: Ambassador J. Thomas Schieffer.
Reason: 1.4 (b/d).

[1](#)1. (C) Summary. Japanese Trade Minister Nikai's proposal for an East Asian Free Trade Area was meant to preempt Chinese proposals for a low-standards Asian FTA, not to exclude the United States from the region, according to Vice Trade Minister Kazumasa Kusaka. Kusaka claimed that METI still valued APEC but seemed unenthusiastic about strengthening its role. He said his Minister had no intention to "tilt" towards China. End Summary.

Explaining Minister Nikai's Asian FTA Proposal

[1](#)2. (C) Ministry of Economy, Trade and Industry (METI) Vice Minister for International Affairs Kusaka told U.S. Ambassador to APEC Mike Michalak over dinner on June 2 that METI Minister Toshihiro Nikai's proposal for an East Asian free trade area was meant to preempt Chinese proposals for a low-standards Asian FTA. Kusaka claimed that METI had become quite concerned last year when Japan was unable to do more than delay a Chinese proposal for a low standards FTA among the 13 "ASEAN plus Three" members. Japan opposed this proposal, but with no support from Korea or any of the ASEAN countries, it was only able to delay a decision for a year by calling for a "track two" study. Unfortunately this study would conclude that such an agreement would boost regional economic integration. Therefore, METI decided that it should attempt to broaden (by including Australia, New Zealand, and India) and deepen (by seeking to include more than just trade in goods) this proposal and focus it on the post 2010 period by which time the "plus Three" were scheduled to conclude their separate FTA talks with ASEAN. Kusaka claimed that Japan's intention in including Australia and India was to slow down this process immensely. Australia, he noted, would demand a high standards FTA that would be difficult for the ASEANS to accept. India's presence would

extend the debate and delay any concrete outcome.

13. (C) Kusaka claimed that METI had some bureaucratic support for its push for an Asian FTA. He claimed that the Foreign Ministry's "Asian School" was supportive, even as he acknowledged that MOFA's America hands were opposed. (Note: We have heard a different story from MOFA's Economic Bureau. According to MOFA Economic Affairs Bureau Director General Kaoru Ishikawa, he had been "yelling at" METI at interagency meetings but that the Agriculture Ministry had been even more critical of METI's proposal. Ishikawa claimed that the Ministry of Health, Labor, and Welfare -- because of movement of persons issues -- was also opposed and that the Ministry of Finance was "also leaning against" METI's proposal. One of METI's problems, Ishikawa pointed out, was its failure to consult with other ministries before announcing this idea. End note.)

Japanese Views on APEC

14. (C) When asked how the Minister's proposal fit into Japan's vision for APEC, Kusaka said that Japan valued APEC, because of the presence of Taiwan and Hong Kong and because of its role in bridging the economies across the Pacific Ocean. However, APEC had turned into a "talk shop" because its membership was "too broad." Moreover, China clearly preferred the ASEAN Plus Three and East Asian Summit (EAS) -- where Taiwan was not a member -- and therefore resisted progress in APEC particularly on the

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security agenda. Kusaka said, however, that Japan valued APEC's role in bridging the east and west sides of the Pacific Ocean and wanted to see APEC succeed. Moreover, he noted, that Japan would host APEC in 2010. Amb. Michalak pointed out numerous areas on APEC's economic and security agendas where we had advanced U.S. and Japanese interests.

15. (C) When asked how Japan sought to differentiate APEC and the EAS, Kusaka said that Japan thought the EAS should evolve into a "functional" organization for pursuing topics that were not exclusionary in nature. Therefore, its natural role would be to address issues such as the environment, avian influenza, and maritime piracy. Progress in these areas in the EAS, he claimed, would not damage U.S. interests since all could enjoy the benefits of EAS cooperation. He also said that Japan strongly supported U.S. membership in the EAS.

Aren't You More concerned about ASEAN Plus Three?

16. (C) Kusaka asked why the United States was so concerned about the East Asian Summit and not the ASEAN Plus Three. In his view, U.S. interests were more threatened by the ASEAN Plus Three process, which clearly excluded the United States and where Japan was the sole champion of the advanced industrial democracies. (Comment: He implied that Korea was reluctant to oppose China in the forum thereby increasing the "burden" on Japan. End comment.) In contrast, Japan had succeeded in maneuvering three other democracies into the EAS structure and had also succeeded in leaving the door open to U.S. membership. He encouraged the United States to consider joining the EAS process. For these reasons, Kusaka said, the United States should welcome Japanese attempts to steer action away from the ASEAN Plus Three towards the EAS process.

17. (C) Kusaka emphasized that Minister Nikai had not focused on Japan's interests in China at the expense of Japan-U.S. relations in formulating his Asia trade strategy. He noted that Nikai had been instrumental in providing PM Koizumi "political cover" for his decision to deploy troops to Iraq. In addition, he had led a delegation of Japanese tourists to New York soon after 9/11. This demonstrated Nikai's support for U.S.-Japan relations, Kusaka claimed.

18. (C) After repeating several times that Nikai was not "pro-China," Kusaka admitted that his Minister felt the USG did not fully appreciate his strong support of U.S.-Japan relations. Kusaka said that Nikai was essentially a "local politician" who was accustomed to people coming to him with requests. China had taken advantage of this trait skillfully by inviting Nikai to China where Nikai was impressed by the quality of his reception. METI staff, Kusaka said, were now arranging for Nikai to visit the United States in July in an attempt to remind their minister of the importance of the U.S.-Japan relationship. Kusaka also said Nikai would visit Oregon and New Mexico in addition to Washington DC. Kusaka said that even after Nikai left the Ministry in September he would continue to influence Japan's trade policy.

METI Recognizes the Importance of US-Japan
Consultations

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19. (C) Kusaka said that Trade Policy Director General Kitamura and he were both eager to continue close relations with the United States. He had visited Washington DC in January this year to propose an intensified bilateral economic dialogue, and had been disappointed that the United States did not want to engage on important topics like East Asian architecture because of the bilateral dispute over beef imports. After Minister Nikai's Asian FTA proposal, Kusaka said, METI understood the U.S. message on the need to consult in advance of taking major policy decisions on East Asian architecture. Therefore, he was looking forward to traveling to the United States for meetings with USG counterparts on June 14.

Comment

10. (C) Kusaka is in a difficult bureaucratic position. As a friend of the United States he understands our concerns about METI's proposal for an Asian FTA that does not include the United States. Nonetheless, he has to defend his minister's position, but also was sending us clear signals that the USG should cultivate Minister Nikai, who will be an important figure in Japanese trade policy issues for years to come. Kusaka hopes that the United States will solve Japan's policy problem by joining the East Asian Summit, thereby validating Japan's strategy of attempting to move the locus of effort away from the ASEAN Plus Three. He was clearly unenthusiastic about the alternative approach -- working together in APEC. Kusaka's attitude toward APEC is particularly striking in that he was one of the METI officials who

participated in its creation.

¶11. (U) Ambassador Michalak has cleared this message.
SCHIEFFER